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SECURITY INFORMATION

7 August 1952

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## **CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

## **CENTRAL INTELLIGENCE AGENCY**

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State Dept., USAF reviews completed

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### SOVIET UNION

1. Kennan comments on Soviet denials of the "hate-America" campaign: Ambassador Kennan sees a "line of retreat" from the Soviet "hate-America" campaign revealed in Soviet efforts to deny its existence. He believes that the Soviet Union realizes that the hate campaign conflicts with the basic "peace" thesis and might conceivably alienate fellow travelers and intellectuals on the fringe of the Communist movement. Consequently, to retrieve the situation, the Soviet Union is assuming an attitude of "shocked innocence" and protesting its "friendship to the American people." (R Moscow 250, 5 Aug 52)

Comment: The "hate-America" campaign has not abated in intensity in spite of recent attempts to cross it with the theme of "friendship with the American people." The USSR has in the past proved capable of exploiting two diametrically opposed propaganda themes at one time.

The Soviet Union has shown itself increasingly sensitive to American exposures of its hate propaganda, however, and the present denials are probably designed to maintain the effectiveness of the campaign, which would be seriously impaired by exposure of its motives.

2. Moscow press critical of Scandinavian base policy: A Pravda article of 4 August reported alleged discussions between American and Norwegian officials on the establishment of US bases in Norway. (R Moscow 246, 5 Aug 52)

Comment: This article and two other recent Moscow press items criticizing Denmark's and Sweden's base policy may presage a renewal of official Soviet protests that Scandinavia is associating itself with NATO base programs.

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3. [ ] spokesman claims authentic information on Soviet propaganda techniques: [ ]

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[ ] the Cominform instructed all Cominform countries several months ago to "go into high gear" on BW propaganda and to link it to Communist charges that the Nazis were responsible for the Katyn massacre. [ ]

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[ ] related information on Communist fears of adverse political effects in Poland of the US disclosures on Katyn and the need for counteracting them. (S Toronto 64, 4 Aug 52)

Comment: The Communist charges of American use of bacteriological warfare reached a high point shortly after the US Congress this spring released evidence that the Soviet Union was responsible for the massacre of Polish officers at Katyn.

While there is no confirmation of such Cominform instructions, various Communist commentaries have compared alleged US bestiality in Korea to Nazi atrocities at Katyn.

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FAR EAST

4. Japanese Liberal Party Secretary General openly supports Hatoyama: Ichiro Hatoyama will become president of the Liberal Party after the coming elections, according to Joji Hayashi, the party's new Secretary General. He alleged during a press conference on 5 August that Prime Minister Yoshida had expressed this opinion to him. Hayashi also stated that the Prime Minister intends to run in the coming elections and will not retire from public life.

Ambassador Murphy comments that Hayashi's apparent open espousal of Hatoyama's bid for power is of considerable significance and will have a strong effect on neutral party members who have not been identified with either the Yoshida or Hatoyama groups. (C Tokyo 496, 6 Aug 52)

Comment: Yoshida himself has not yet publicly made clear his future plans. Hayashi's statement suggests that Yoshida may be planning to turn over the party's presidency to Hatoyama, his political senior, with the latter's assumption to premiership dependent upon his health or other future developments. Hatoyama informed an American official in June that while he expected to reassume the party's presidency, at that time he did not feel physically capable of becoming prime minister.

5. USSR offers to sell coal to Japan: According to a Japanese press release the Soviet commercial mission in Tokyo offered on 1 August to sell two Japanese firms some 20,000 to 30,000 tons of Sakhalin coal for pounds sterling. The price indicated was the equivalent of \$10 per ton f.o.b. (R FBIS Tokyo, 5 Aug 52)

Comment: The Japanese Government this year has rejected at least two firm Soviet offers of trade involving Sakhalin coal in exchange for ship repairs and semi-strategic goods. Although Japan has a surplus of sterling which would make this offer attractive, Foreign Minister Okazaki has stated that the signing of a peace treaty with the Soviet Union is a prerequisite to resumption of trade between the two countries.

In the prewar period, Sakhalin provided approximately 13 percent of Japan's coal imports.

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6.

Chinese demand settlement from Portuguese for Macao border clashes: [redacted] Communist China has demanded that the Macao government accept full responsibility and apologize for the recent border incidents; withdraw all Portuguese troops from the immediate vicinity of the border; and indemnify it for the killed and wounded.

Small food shipments into Macao were permitted by the Communists on 4 and 5 August, but transport at the normal volume has not yet been resumed. (C Hong Kong 259, 5 Aug 52)

Comment: The Communists are also insisting, according to the Hong Kong press, on greater freedom in obtaining strategic imports from Macao. If the Chinese are adamant, the Portuguese will have little choice but to yield to these demands.

7.

French officer losses continue at high level in Indochina: [redacted] has told the American Consul in Hanoi that during the "quiet month of July" French officer losses in Tonkin averaged one per day. (S Hanoi 94, 5 Aug 52)

8.

Proposed Vietnamese budget to provide increased army expenditures: President Nguyen Van Tam has told the American Ambassador that he has already submitted the 1952 budget for Bao Dai's approval. Under this budget Vietnam, through inflationary borrowing, would pay a greater and France a smaller share of the National Army budget for 1952 than formerly. The Ambassador points out that the United States agreement to contribute an additional \$150,000,000 to France has been based on the assumption of increased French military expenditures in Indochina and Europe in 1953. (S Saigon 302, 5 Aug 52)

9.

Criticism of Tam government in Indochina increasing: The American Embassy believes that new rumors of French-Viet Minh negotiations, this time linked with Bao Dai's coming trip to France, are only "local gossip," but are indicative of continued Vietnamese concern over French intentions and of growing dissatisfaction with the national government. The Embassy notes that after a temporary willingness on the part of Vietnamese nationalists to give the Tam government "a chance to prove itself," the "anvil chorus is again in full swing" because implementation of Tam's announced program has not begun. (C Saigon 304, 5 Aug 52)

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Comment: Although many French officials in Saigon have expressed optimism over the Tam government, [redacted] who felt that he might be better informed than political counselors in the High Commissariat, told the Embassy that Tam had little chance of lasting without capable Vietnamese support.

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10. Friction develops between Indonesian President and Defense Minister: Friction has developed between President Sukarno and the Defense Minister, the Sultan of Jogjakarta, over the replacement for the Army Chief of Staff who is going abroad. The Sultan and the Secretary General of the Defense Ministry prefer Simatupang, Chief of Staff of the Armed Forces, while Sukarno favors Colonel Sugeng, territorial commander of East Java. [redacted]

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Comment: Reports have been increasing of a split between President Sukarno and the Sultan of Jogjakarta. There is no firm evidence that the split is sufficiently serious to cause the fall of the cabinet or that it indicates, as has been implied, an effort by the Sultan to protect Communist elements in the army.

President Sukarno apparently resents the strong influence of the Socialist Party in the Defense Ministry and does not wish to see this influence further consolidated by permitting the appointment of the Socialist-inclined Simatupang. The Sultan, on his part, resents Sukarno's meddling.

Other issues which reportedly have contributed to friction between Sukarno and the Sultan are the employment of the Dutch Military Mission and the constitutional basis for the establishment of basic defense policies.

#### NEAR EAST - AFRICA

11. Qavam reportedly will blame Shah for Tehran rioting: Ahmad Qavam, former Iranian Prime Minister, is preparing a statement blaming the Shah for the 21 July rioting, [redacted]

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[redacted] the National Front knows where Qavam is hiding and is encouraging him to write the manifesto as a means of further discrediting and weakening the Shah. In return, Qavam would presumably be allowed to leave the country. [redacted]

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Comment: Such a statement by Qavam would seriously damage the Shah's prestige and authority, which is already lowered with the army because of his failure to support Qavam, and with the people because of nationalist and Tudeh attacks.

12. Colonel Shishakli reportedly to increase military men in government: Colonel Shishakli, Syrian military dictator, is considering replacing all nine civilian administrative district chiefs with trusted army officers, [REDACTED]

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Shishakli also reportedly intends to place army officers in other "key government posts." [REDACTED]

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Comment: The appointment of the military to civilian posts in Syria apparently reflects Colonel Shishakli's desire to tighten his hold on the government. On 3 August Shishakli assumed the new office of Deputy Prime Minister thereby acquiring a legal position in the recently appointed cabinet and direct responsibility in the government.

13. Syrian journalists reportedly invited to visit the USSR:

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[REDACTED], the Soviet Legation in Damascus has delivered a "confidential, informal" invitation for six or more Syrian journalists to visit the USSR at Soviet expense. The Foreign Office will await the receipt of an official invitation, expected later this summer, before preparing a reply. [REDACTED]

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Comment: Communist influence in the Syrian press has considerably decreased since the first of the year. The organ of the Syrian Partisans of Peace was suppressed in January. Shortly thereafter, the Soviet Legation approached the Foreign Office, without results, to request that this publication be reinstated.

This invitation might be aimed at the League of Syrian Writers, an association whose articles are strongly anti-Western in tone with a slight pro-Soviet bias.

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[REDACTED] describes next fortnight in Tunisia as crucial: [REDACTED], the next two weeks will be crucial, and a favorable comment by the US

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Government on the French reform program might carry great weight with the Bey's extra-legal council. [redacted] 25X1C  
also said that one faction of the Bey's personal entourage was banking heavily on the [redacted] recall and on full American 25X1C  
support for the nationalist position.

Meanwhile, the nationalist representative in Paris furnished the Embassy with a statement made by the Bey's daughter and son-in-law to the effect that the [redacted] is 25X1C  
guilty of deceit in his recent relations with the Bey. The representative implied that the Neo-Destour Party does not expect that the council will advise the Bey to accept the reforms, but will make counterproposals which the French will not accept. (C Tunis 40, 4 Aug; C Paris 801, 5 Aug 52)

Comment: Until 2 August no Tunisian nationalist had seen the texts of the decrees drafted by the French for the Bey's seal. Their hopes for real administrative changes having been dampened by legal technicalities written into the French-drafted legislation of early 1951, they have a natural suspicion with regard to the present French proposals.

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WESTERN EUROPE

15. East Germans decree property seizure as refugee curb: A decree of the East German Government, reportedly unpublished but effective since 18 July, provides for the seizure of property of persons leaving or making preparations to leave East Germany "without observing police notification regulations." Agricultural property acquired through such seizures can be made available to production cooperatives or nationalized farms. The new measure also provides compensation for property losses sustained by border-area evictees and grants trusteeship to the government over property of East Germans now resident in the West.

American observers in Berlin note that the wording of the decree will permit seizure of "virtually any private property" upon police allegation that its owner is preparing flight from East Germany. (C Berlin Unnumbered, 4 Aug 52)

Comment: This is probably a more accurate version of the previously reported East German moves against the property and families of refugees. The provisions of the decree, however, are clearly aimed at advancing agricultural reform and providing the means of mollifying border evictees, as well as curbing the flow of East Germans to the West. Reluctance to publish the decree probably reflects fear that excessive severity may encourage rather than restrict such flights.

16. Russian fighters follow Allied airliners in Berlin air corridors: Since the 29 April attack on a French airliner in the south air corridor to Berlin, there has been a noticeable increase in the number of Soviet fighters intercepting Allied air transports in the air corridors. According to American radar units, the fighters fly close to an Allied plane until satisfied that it is in the corridor, then fly off to scout other aircraft.

This type of activity has especially increased since the signing of the Allied-German contractual conventions late last May. (S USAF Wiesbaden EIAI 4483, 28 July 52)

Comment: Such action could well result in new attacks on Allied planes, particularly whenever they stray or appear to have strayed from the corridors.

17. West Berlin morale is high: According to American-conducted opinion surveys, most Soviet harassment has increased West Berlin

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resolution to resist future Communist encroachment. Only a minority of the West Berlin populace anticipates a future blockade; should one be instituted, however, the majority wants the Western powers to take a firmer stand than they did during the 1948-49 blockade. The large majority also wants Western troops to remain in the city even though their withdrawal might maintain the peace.

Should Russia attack the West or attempt to seize all of Berlin, two-thirds of the West sector residents are in favor of fighting with the Allies. However, opinion analysts warn that this response seems linked with an "exaggerated" concept of a large-scale military defense of the city. (C Bonn 527, 5 Aug 52)

18. Austrian-Polish trade negotiations stalemated on ball-bearing issue: Austrian-Polish trade negotiations are currently stymied over Polish insistence that the Austrians complete delivery of the 300,000 dollars worth of ball bearings, half of them embargoed types, contracted for under the previous trade agreement. Austrian negotiators doubt that the Poles would accept non-embargo types as a substitute even if, as is unlikely, Austrian manufacturers could produce them in sufficient quantity.

Meanwhile, the American Embassy in Vienna has again remonstrated with the Austrians on the necessity of utilizing their coal credit to import maximum quantities of Polish coal in order to strengthen their bargaining position for future negotiations and to guard against a fuel shortage next winter. (C Vienna 347, 5 Aug 52)

Comment: The Austrians have agreed that no List I bearings will be shipped to the Orbit without prior American approval and that List II bearings will be delivered only in return for goods of "corresponding" value. Commitments to restrict embargo-type shipments were violated by the Austrians last year, however, on the grounds that insufficient quantities of non-embargo bearings were available to fill export quotas linked to receipts of Polish coal.

19. Tension eases in Belgium over question of military conscription period: The Belgian Prime Minister has told the American Ambassador that tension over the conscription issue has eased since last weekend. The American Ambassador believes that the question will be left unsettled until after the meeting of the EDC military committee in Paris on 12 August, when the Belgian delegate is expected to urge in strongest terms an immediate announcement of a uniform military period.

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The Embassy notes that the Socialist-sponsored general strike of 9 August protesting the two-year conscription period is planned for a Saturday so as to cause the least possible disruption. It states that a reduction in the conscription period will work to the political advantage of the Socialists in the communal elections scheduled for 12 October. (C Brussels 143 and 149, 4 and 5 Aug 52)

20. Italian farm workers' strike supported by all labor organizations: About 2,000,000 Italian farmhands recently participated in a 24-hour nationwide strike for higher family allowances. The walkout, originally planned by the Christian Democrat-dominated Confederation of Labor (CISL), was called by the three major Italian labor organizations.

The American Embassy in Rome comments that the very small space given the strike by government and conservative papers in contrast to the wide publicity in the leftist press is indicative of CISL's basic weakness, its failure to secure support from those elements of the press which have most reason to back it when it takes the initiative. Thus the Communist-controlled General Labor Confederation (CGIL) is credited by the workers for aggressive action in their behalf even when CISL has taken the lead. (S Rome Joint Weeka 31, 1 Aug 52)

Comment: Management in general continues to be unwilling to support the CISL in its struggle to supplant the CGIL as the main champion of the workers' interests.

In recent months powerful elements in the majority Christian Democratic Party reportedly have been seeking to replace the CISL with a Catholic organization more amenable to the government's labor policies.

- 25X1C 21. Vatican reportedly "promoted" Spanish Foreign Minister's trip to Middle East: [redacted] the Vatican "promoted" the trip in April of Spanish Foreign Minister Artajo to the Middle East, hoping thereby to gain from improved relations resulting from talks between Spain and the Moslem states. The talks, according to this report, were concerned with a Mediterranean defense pact and settlement of the question of the Holy Places. [redacted]

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Comment: Although the Vatican is interested in establishing and maintaining closer and friendlier relations with the Middle

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East, there is no evidence that Artajo's trip was either "promoted" by or coordinated with it.

22. Sweden hesitates to introduce Baltic Sea incidents before UN: Assistant Foreign Minister Hammarskjöld told the American Ambassador on 5 August that at present Sweden does not intend formally to introduce in the UN the matter of Soviet attacks on Swedish aircraft over the Baltic. The government plans, however, to circulate to UN members and to the Secretary General a white paper setting forth the full facts of the case, including the exchanges of notes between the USSR and Sweden. (C Stockholm 156, 5 Aug 52)

Comment: Sweden is reluctant to raise the issue formally in the UN because it fears that its controversy with the USSR might then become a political football in the East-West struggle. On the other hand, Swedish protests to the USSR have so far proved fruitless, and the Swedes feel that they cannot sit idly by and allow the Baltic to become a Soviet sea.

LATIN AMERICA

23. Chilean President apparently trying to unite center-left and rightist opposition against Ibanez:

25X1X [ ] the 30 July cabinet changes were engineered by President Gonzalez Videla and his center-left Radical Party. The "nonpolitical" cabinet is made up entirely of supporters of both the center-left and rightist presidential candidates, and center-left forces have suggested to the rightists "that they lay off each other" and concentrate on independent candidate Carlos Ibanez del Campo.

25X1C Meanwhile, [ ] information relative to a "deal" between the center-left and rightists to join forces behind a compromise candidate. (C Santiago Unnumbered, 31 July 52)

Comment: Gonzalez announced last month that he would name an administrative cabinet shortly before the 4 September election. The composition of the new cabinet, however, probably indicates that he is attempting to align center-left and rightist forces in opposition to Ibanez, whom he is said to consider the "strongest contender" for the presidency.

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The joining of the center-left and rightist forces prior to the election probably would make it impossible for Ibanez to win the presidency, and thus would increase the possibility of an attempted coup by Ibanistas.

24. Colombian Communists reportedly to send personal data on diplomats in West Germany to Prague: The interim political commission of the Colombian Communist Party has been instructed by the party's Secretary General to prepare a complete report on the members of the Colombian diplomatic mission to West Germany, [redacted] 25X1C
- 25X1C [redacted] The report, which will be sent to the Latin American political commission set up by the Communists in Prague, is to contain as much personal detail as possible.

Similar information reportedly was sent to Prague on members of the Colombian commercial mission who went to West Germany in April 1952, and on the university students who attended the recent conference in Buenos Aires. [redacted] 52)

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Comment: Thus far there is no indication that any other Latin American Communist Party is acting under similar instructions.

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WESTERN EUROPE

1. West German claims negotiations will soon be concluded:  
West Germany in the near future will probably conclude two sets of financial negotiations which have been proceeding for the better part of this year. In London, representatives of thirty nations have since last February been discussing the settlement of the former German Reich's foreign debts. At The Hague, Israeli and West German officials and representatives of various Jewish organizations have been discussing claims against the West German Government for acts committed against Jews by the Nazis.

When the London conference has completed its work, possibly in the next two weeks, many prewar German securities, such as those purchased under the Dawes and Young loans, will again have monetary value. Furthermore, means are being established whereby holders of other securities can submit claims against the West German Government.

The talks at The Hague will probably result in the West German Government's compensating the claimants in goods to the amount of 3,450,000,000 DM. A general agreement may be initiated by the negotiators by 10 August. (Factual data from: C S/S The Hague 157, 31 July 52; C S/S London SIGTO 61, 26 July 52)

2. East Germans expand personnel for customs control in Berlin area: American observers in Germany believe that the expansion of the East German Office for Control of Freight Traffic (AKW) may be interpreted as an indication that the complete isolation of West Berlin is not immediately intended. They caution, however, that this evidence does not override "mounting contrary indications."

The AKW is reliably reported to have received authorization last June to increase its personnel by 1,038 over its 1951 strength of 2,480. Expansion of the AKW is believed to have been made necessary by the agency's increased responsibility for customs control on the Berlin periphery.

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